

VZCZCXRO4251
RR RUEHCHI RUEHFK RUEHHM RUEHKSO RUEHPB
DE RUEHKO #0448/01 0320147
ZNY CCCCC ZZH
R 010147Z FEB 07
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC 0243
INFO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION
RUEHNE/AMEMBASSY NEW DELHI 8266
RUEHFR/AMEMBASSY PARIS 5268
RUEHPF/AMEMBASSY PHNOM PENH 0651
RUEHGO/AMEMBASSY RANGOON 2209
RUEHVN/AMEMBASSY VIENTIANE 1595
RUEHFK/AMCONSUL FUKUOKA 9723
RUEHNH/AMCONSUL NAHA 2192
RUEHOK/AMCONSUL OSAKA KOBE 3191
RUEHKSO/AMCONSUL SAPPORO 0726
RUEHGV/USMISSION GENEVA 2995
RUCPDO/USDOC WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 000448

SIPDIS

SIPDIS

STATE PASS USTR
GENEVA ALSO FOR USTR
USDOC FOR OFFICE OF JAPAN - NMELCHER
PARIS FOR USOECD

E.O. 12958: DECL: 02/01/2027
TAGS: [ETRD](#) [ECIN](#) [ECON](#) [PREL](#) [JA](#)
SUBJECT: MOFA PUTS POSITIVE SPIN ON CEBU ECON OUTCOMES

TOKYO 00000448 001.2 OF 003

Classified By: Amb. J. Thomas Schieffer. Reason: 1.4 (b, d)

¶1. (C) Summary: The endorsement of Japan's proposal for an academic study of a free trade area including the 10 ASEAN states along with Japan, China, South Korea, Australia, New Zealand, and India at the January 15 East Asian Summit was a better outcome than had been expected, according to an official of the Japanese Ministry of Foreign Affairs (MOFA). Nevertheless, prospects for an agreement between Japan and ASEAN alone remain weak, with Japan seeing little to gain despite ASEAN's insistence on making those negotiations a priority. Japan's Trade Ministry continues to be the driving force behind the "ASEAN Plus 6" proposal for regional economic integration, although officials of that agency did not confirm the extent of their involvement. End summary.

Cebu Summits Show Acceptance of ASEAN Desire for
Regional Integration Options

¶2. (C) The January summit meetings in Cebu yielded a better response than the Japanese had first predicted coming out of the December preparatory sessions, according to MOFA Economic Partnership Division Deputy Director Kohei Saito in a January 25 meeting with econoff. In Saito's view, what had changed fundamentally was a new acceptance on the part of ASEAN's economic dialogue partners that ASEAN preferred to have a range of options on broader regional economic integration once all of its agreements with individual partners had been completed.

¶3. (C) Saito, who had attended the December

meetings, said that initially the Japanese had been concerned that ASEAN would insist on completion of a Japan-ASEAN economic partnership agreement before it would consider any movement on a "Track II" academic study of the Comprehensive Economic Partnership in East Asia (CEPEA, or so-called "ASEAN Plus 6" arrangement) put forward by Japan at the August meeting of economic ministers from ASEAN and its chief dialogue partners. Instead, the ASEAN leaders in Cebu agreed to language calling for a Track II study on CEPEA in the joint statements of both the ASEAN-Japan summit and the larger East Asian Summit (EAS). Nevertheless the ASEAN leaders still stressed the need to complete the ASEAN-Japan agreement under negotiation as soon as possible. This language, Saito noted, was basically a repeat of the wording that emerged from the August meetings and allowed progress on the CEPEA initiative without an absolute necessity to finish the Japan-ASEAN agreement.

14. (C) Saito also noticed a shift in ASEAN's position on a possible ASEAN Plus 3-based free trade agreement. In December, the ASEAN representatives had been cool to the idea put forward by the South Koreans to move ahead with an in-depth sector-by-sector "Phase II" study on the FTA proposal. Nevertheless, the final statement from the ASEAN Plus 3 summit endorsed the Koreans' initiative. In addition, neither the Koreans nor the Chinese -- both of whom had indicated reservations toward the CEPEA proposal and had been far more supportive of economic integration centered on ASEAN Plus 3 -- voiced further opposition to a study on the ASEAN Plus 6 arrangement. Although the Chinese ambassador to

TOKYO 00000448 002.2 OF 003

the Philippines, who had represented Beijing at the December meetings, had characterized a Track II study on CEPEA as "premature," no similar comments had emerged at the January summit.

Japan-ASEAN Talks to Center on Goods Trade Only

15. (C) Regarding prospects for a Japan-ASEAN agreement, however, Saito acknowledged that many problems remained. During the meeting of ASEAN and Japanese economic ministers in December, the ASEAN side had accepted the latest Japanese modality for trade in goods -- elimination of tariffs on 92 percent of trade by trade volume with establishment of a maximum tariff or a reduction of tariffs on the remaining eight percent (mostly agricultural products) -- as a basis for discussion. This opened the way for formal negotiations, suspended since August, to restart. ASEAN, however, wanted to see the details of the Japanese proposal, Saito stressed. He expected the next round of negotiations with ASEAN to take place in the latter part of February.

16. (C) Saito also acknowledged that the Japanese had little interest in pursuing negotiations on trade in services in the Japan-ASEAN context beyond adding a few "endeavor clauses" to the agreement and establishing a committee with ASEAN to explore the topic. According to Saito, although Japan would benefit by having accumulated rules of origin on trade in goods via a Japan-ASEAN agreement, this obviously did not apply to trade in services. From the

Japanese perspective, the sections pertaining to services in the various bilateral economic partnership agreements with individual ASEAN states were preferable to any arrangement that could be achieved with ASEAN as a whole, Saito said. With ASEAN and China having just concluded an agreement on trade in services, however, Saito expected that ASEAN would likely present Japan with a proposal similar to the recently concluded arrangement with China.

The METI Connection

17. (C) Interestingly, the Japanese had been surprised at the decision announced in the statement of the East Asian Summit leaders to task the ASEAN Secretariat to take charge of the CEPEA Track II study, according to Saito. As the host of the EAS, the Philippines had responsibility for drafting the joint statement for the summit and did not consult with the Japanese on that point before the statement was released. Saito stressed, however, that the real work on CEPEA was not going to be done by ASEAN but by Japan's own Ministry of Economy, Trade, and Industry (METI), albeit in conjunction with the ASEAN Secretariat.

18. (SBU) Waseda University Professor Shujiro Urata, an expert on regional integration in Asia and a participant in the Track II study on an ASEAN Plus 3-based free trade agreement, indicated to econoffs January 25 that, according to his understanding as well, METI remained the guiding force behind the CEPEA initiative despite the ostensible involvement of the ASEAN Secretariat. In fact, there was already

SIPDIS

TOKYO 00000448 003.2 OF 003

substantial discussion within METI on where to locate the Japanese-funded Economic Research Institute for ASEAN and East Asia (ERIA, billed initially as an Asia-only version of the OECD) promised as a way to win ASEAN support for the CEPEA proposal, Urata said. METI officials, according to Urata, wanted to locate the facility in Thailand because of the large amount of Japanese investment in that country while Urata himself felt that Singapore would be a more appropriate venue.

19. (SBU) In general, Urata believed the Cebu summits had signaled a much more pragmatic approach to economic integration than had been seen a year earlier. The rhetoric on "East Asian Community" had largely vanished to be replaced by more concrete, programmatic proposals, exemplified by Prime Minister Abe's ten points for enhancing cooperation among the EAS member states.

10. (C) METI officials, however, have been less forthcoming about the extent of the ministry's ongoing involvement in CEPEA. When asked by econoff on January 19 regarding the outcome of the Cebu meetings, Tetsuya Watanabe, the head of METI's office charged with developing the CEPEA proposal, provided little additional information on the CEPEA study beyond what had been contained in the official statements. According to Watanabe, it was unclear as to when the ASEAN Secretariat would begin work on the CEPEA study

SIPDIS

as called for in the EAS statement. According to Watanabe, the ASEAN Secretary was on a break following the summits in Cebu and had not wanted to receive the tasking in the first place. As a result, it was unclear as to when the study might actually begin, who the participants would be, and what timeframe it would involve. His colleague from the METI Americas Division who attended the meeting acknowledged to econoff that Watanabe's briefing had been underwhelming.

Comment

¶11. (C) For Japan, the various summit meetings in Cebu were successful because the Japanese won some endorsement of their proposals. Nevertheless, with Korea launching the next stage of preparations for an ASEAN Plus 3 FTA and the Chinese having come to agreement on trade in services with ASEAN, securing the blessing of ASEAN and the other EAS states to move ahead on the METI-driven CEPEA Track II study is small beer. Even as the announced (but not binding) deadline of April to complete negotiations on an ASEAN-Japan economic partnership agreement looms, there remains little enthusiasm within the Japanese Government to make the concessions needed to strike a significant deal. The question is whether the Japanese will find a way to come to a minimally acceptable arrangement with ASEAN that will allow a claim of partial success or walk away entirely, risking domestic political criticism for diplomatic failure. In the meantime, none of Japan's initiatives in Cebu would seem to point the way toward a true Asia-Pacific Economic Community envisioned by the United States.
SCHIEFFER